



122 W. Washington Avenue
Suite 300
Madison, Wisconsin 53703-2715

608/267-2380
800/991-5502
Fax: 608/267-0645

E-mail: league@lwm-info.org
www.lwm-info.org

To: Assembly Committee on Ways and Means

From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities

Date: July 11, 2007

Re: AB 409, Expansion of Area in which a TIF District's Project Costs may be Expended

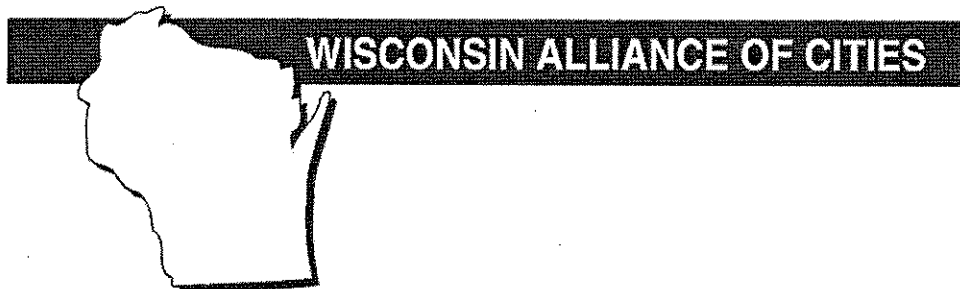
The League of Wisconsin Municipalities supports AB 409, providing for the expansion of the area in which a tax incremental finance district's project costs may be expended.

Tax incremental financing is the most effective tool available to municipalities to help stimulate economic development within the community. AB 409 would further enhance this device by making it possible for a community to spend TIF dollars from an existing TIF district on project costs within a half mile radius of that district.

The bill provides municipalities with the flexibility to address the need for additional improvements within the immediate vicinity of an existing TIF district without the cost or time delay involved in amending a TIF district boundary. The flexibility to expend funds from a successful district to an area immediately surrounding the district would be particularly helpful in achieving property value improvements and tax base stabilization in redevelopment or blighted areas.

We urge the Committee to recommend passage of this sensible bill.

Thanks for considering our comments.



**TESTIMONY TO THE ASSEMBLY WAYS AND MEANS COMMITTEE
ON ASSEMBLY BILL 409
by JASON E. JOHNS, Esq.
JULY 11, 2007**

Honorable members of the committee: I'm sure I don't have to remind you that Tax Increment Financing Districts have generated an enormous amount of economic growth since they were first created in Wisconsin in 1975.

Just the TIF districts that remain active have generated more than \$13 billion in growth, according to the Department of Revenue.

This is \$13 billion in development that would not otherwise have occurred in Wisconsin, assuming all the communities that established TIF religiously followed the "but for" test — that but for the establishment of as TIF, the development would not have occurred. Even if you assume that some communities skirted the "but for test" and a quarter of that the development would have occurred anyway, that's \$9.5 billion in development that created jobs, and will contribute to schools and other public services as soon as the TIF debt is paid off.

But TIF Districts don't exist in a vacuum. They are part and parcel of their neighborhoods: They supply jobs and commerce to the community where they are located, and their community contributes to the TIF district's success.

The City of Kenosha recognized that fact some years ago and obtained legislation allowing it to spend TIF money in close proximity to the boundaries of its TIF districts. Working with private lenders, Kenosha has created a revolving loan fund that provides homeowners with up to \$20,000 to bring their property up to code.

Assembly Bill 409 would extend statewide the ability of TIF districts to act within a half mile of their borders to enhance their communities, increase the new value they create, and work even harder to contribute to Wisconsin's economy.

Thank you.



Scott Newcomer

STATE REPRESENTATIVE • 33rd ASSEMBLY DISTRICT

July 11th, 2007

TO: Honorable Members of the Committee on Ways and Means
FROM: Representative Scott Newcomer
RE: Support of AB 409

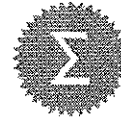
Thank you for this opportunity to speak to you today regarding AB 409. This bill proposes that the current pilot program in the City of Kenosha, which allows for offsite housing improvements to be considered eligible TIF or TID expenditures, be expanded to the entire state.

Tax incremental financing districts (TIF or TID) are perhaps the single best economic development tool in the state of Wisconsin. TID was originally created for a two-fold purpose, either for blight elimination or for industrial development. Since the inception of the program, figures obtained from the Department of Revenue for the year 2006 state that 912 districts were created resulting in over \$13.1 billion in new property value. For 2007, participation in the program has grown to 962 active TIF units. By most measures, TIF is the driving force in economic development.

While TIF continues to be an effective tool for both redevelopment and industrial development activities, there are still areas that can be modified to adapt to changing market conditions. For example, an industrial TIF district often requires offsite infrastructure improvements for the project to be viable, such as the installation of water, sewer, gas and electric lines or roadways—these offsite improvements are allowable expenses under TIF law and ultimately lead to the success of the TIF district.

Redevelopment areas also have off-site infrastructure needs, many times these needs center around affordable, quality housing, thereby creating safe, strong neighborhoods around the redevelopment district. Housing ultimately makes the redevelopment districts successful. Under current TIF law, offsite housing improvements are not eligible TIF expenses, except in the City of Kenosha. The City of Kenosha's vision and track record have proven that the success of redevelopment projects is contingent on viable neighborhoods surrounding the development, and offsite investments in those neighborhoods provides direct benefit to the TIF district. Kenosha understood that comprehensive blight elimination was much broader than eliminating a couple of problem properties, because the blighting symptoms still surround those "redeveloped" properties. A more holistic approach is required, and the allowing of an affordable off-site housing component addressed many of the surrounding blighting conditions.

Please support this proposal and do all that is necessary to advance this proposal to the full Assembly. Thank you.



EHLERS
LEADERS IN PUBLIC FINANCE

July 10, 2007

Members
Assembly Ways & Means Committee
Wisconsin State Assembly

RE: Support for Assembly Bill 409

Dear Committee Members,

I would like to register support for Assembly Bill # 409 which provides for the expansion of the area in which a tax incremental district's project costs may be expended.

Ehlers & Associates is a 52 year old independent financial advisory firm with its Wisconsin Office in the City of Brookfield. We serve as financial advisors to over 300 local units of government within Wisconsin and have assisted many of these clients with the creation of Tax Increment Districts.

The tax increment program is clearly the most powerful economic development tool available to local government to help stimulated new development or redevelopment that would not otherwise occur.

The proposed bill would further enhance this program by making it possible for a community to expend TIF dollars from an existing tax increment district for project costs within a half mile radius of that district.

We support this bill because:

1. The creation of an original TID boundary and project plan is the best estimate at the time of district creation of the costs and locations of anticipated development or redevelopment. With the passage of time and experience, communities sometimes find that there is a need to address additional improvements within the immediate vicinity of an existing district. This would help provide that flexibility without requiring the cost or time delay involved in a TID boundary amendment.
2. The provision of funds from a successful Tax Increment district to an area immediately adjacent would further lead to property value improvements and tax base stabilization, especially in redevelopment or blighted areas.

3. The City of Kenosha has successfully used this tool based on prior legislation that uniquely affects them. Based upon their positive experience, we believe this is a provision that should be extended to all communities in the State.

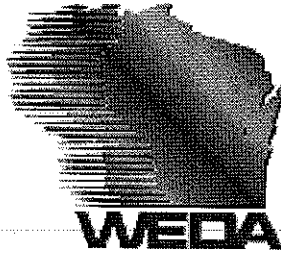
We are also aware of the Technical memorandum dated June 21, 2007 by Mr. Ziegler of the Department of Revenue. We would support any amendments of the bill needed to address the technical concerns raised by this memo.

Thank you for your consideration of our comments.

Very Truly Yours,
EHLER & ASSOCIATES, Inc.

A handwritten signature in black ink, appearing to read "Michael C. Harrigan", written in a cursive style.

Michael C. Harrigan, CIPFA
Chairman / Senior Financial Advisor



Wisconsin Economic Development Association Inc.

TO: Members, Assembly Ways & Means

FROM: Amy Boyer, on behalf of
Wisconsin Economic Development Assn.

DATE: July 11, 2007

RE: **Support for Assembly Bill 409**

The Wisconsin Economic Development Association, a statewide association consisting of over 400 economic development professionals, strongly supports Assembly Bill 409 relating to expanding the area in which a tax incremental district's project costs may be expended.

TIF is virtually the only "tool" available to local economic development professionals and municipalities to help Wisconsin compete for business expansion and attraction. This legislation provides the opportunity to promote reasonable expansion of TIF as a significant part of economic development aimed at improving and enhancing Wisconsin's economy.

The City of Kenosha has successfully used this TIF enhancement through special statutory authority and we believe based on their positive experience it should be expanded for all municipalities state-wide.

Consistent with WEDA TIF Working Group member Mike Harrigan's statement, we support AB 409 for the following reasons:

1. The creation of an original TID boundary and project plan is the best estimate at the time of district creation of the costs and locations of anticipated development or redevelopment. With the passage of time and experience, communities sometimes find that there is a need to address additional improvements within the immediate vicinity of an existing district. This would help provide that flexibility without requiring the cost or time delay involved in a TID boundary agreement.
2. The provision of funds from a successful TID to an area immediately adjacent would further lead to property value improvements and tax base stabilization, especially in redevelopment or blighted areas.

We respectfully urge you to support AB 409. Thank you for your consideration.

BROYDRICK & ASSOCIATES

TO: Members of the Assembly Ways and Means Committee
FROM: Robert W. Baird & Co., Inc.
DATE: July 11, 2007
RE: Support of AB 409, related to expanding the area in which a tax
incremental district's costs may be expended.

Tax Incremental Financing (TIF) has been the most successful economic development and redevelopment tool in Wisconsin since the TIF law was enacted in 1975. TIF for blighted, industrial and mixed-use developments has allowed local officials to better plan development and create jobs, and many formerly blighted areas have been remediated and developed, thereby increasing the tax base in communities all across the state.

In 2005, the legislature created a pilot project to allow the City of Kenosha to use TID project dollars to improve an area, including housing, within one-half mile of the TID boundary. Kenosha has shown that for blight, industrial and mixed-use development or redevelopment, the success of the neighborhoods surrounding a TID is vital to the success of the TID itself. This more comprehensive redevelopment view has shown promise in Kenosha and could be implemented in other areas of the state with success.

We support this expansion of the TIF law and believe it will benefit many communities across the state as they plan their economic development and redevelopment projects. Please support this proven, common sense change to the current law.

Thank you for considering our testimony regarding AB 409. If you have any questions please feel free to contact Greg Hubbard at 608-255-0566



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.revenue.wi.gov>

Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

****REVISED HEARING DOCUMENT****

Assembly Ways and Means Committee Executive Session, October 3, 2007

AB 409 – Expand TIF Project Cost Expenditure Area (Rep. Newcomer)

Description of Current Law and Proposed Change

Tax Incremental Finance (TIF) is a financing tool available under current law to cities, villages, and, to a limited extent, towns to encourage economic development that would not occur without some public assistance. When a TIF district is created, the current property value in the district is set as the "base value." Improvements and development that occur after the TIF district is created lead to increases in its value over the base value (the increase is referred to as the increment value). The property taxes levied by all local taxing jurisdictions (i.e. the municipality, county, school district, technical college and any special districts) on the value increment are used to pay for the project costs needed for the development to occur. The tax on the base value continues to go to the taxing jurisdictions that levy the tax. After a TIF district terminates, the taxes paid by property owners within the district – on both the base value and value increments – are shared by all taxing jurisdictions.

Project expenditures must generally be made within the boundaries of a district. An exception exists for blighted areas in Kenosha where project expenditures may be made within a one-half mile radius of the district.

This bill would allow cities or villages, other than Kenosha, to make or incur expenditures within a one-half mile radius of the boundaries of TIF districts if the expenditures are approved by the Joint Review Board (JRB). The JRB is comprised of five members who represent the interests of the municipality, its overlying districts (school, technical college, and county) and the public.

Fairness/Tax Equity

- Extending the expenditure area for a TIF district to include additional project costs could lengthen the period that the district would need to be in effect in order to pay for the additional project costs. As a consequence, the taxpayers in the overlying jurisdictions would be denied the benefit of the TIF value increment for a longer period, and effectively, these taxpayers would pay for the project expenditures outside of the district boundaries.
- It is possible that the procedures under the bill may be used to weaken the 12% capacity limit under current law. Under the 12% capacity limit, a municipality cannot create a new district if the total equalized value attributable to investment in all existing districts (the value increment) divided by the total equalized value of the municipality is greater than 12%. Under the bill, municipalities may create a TIF district that is under the capacity limit and then expand the district's expenditure area by the half-mile radius, thereby essentially exceeding the limit.

- Under current law, a TIF district may be amended to add or subtract territory up to four times during the life of the district. This current law process could be used in lieu of the procedure outlined in this bill to expand the territory in which expenditures may be made.

Impact on Economic Development

- The bill may help prompt further economic benefit by allowing certain investments not otherwise possible or feasible. The bill may also allow a more comprehensive redevelopment effort that is more flexible than current law to address changing public investment needs.

Administrative Impact/Fiscal Effect

- Information is not available for a reasonable estimate of the tax shift that would result from the bill. However, to the extent that project costs would be incurred for a larger territory and for a longer period of time, the bill would result in longer lives for TIF districts. As a result, overlying taxing jurisdictions, such as the school district, county and vocational college district, could be required to forego the tax base associated with the development within districts for longer periods (and consequently, these overlying jurisdictions would have higher tax rates than would otherwise occur for longer periods of time).

Prepared by: Pam Walgren, (608) 266-7817

September 25, 2007

PW:skr

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